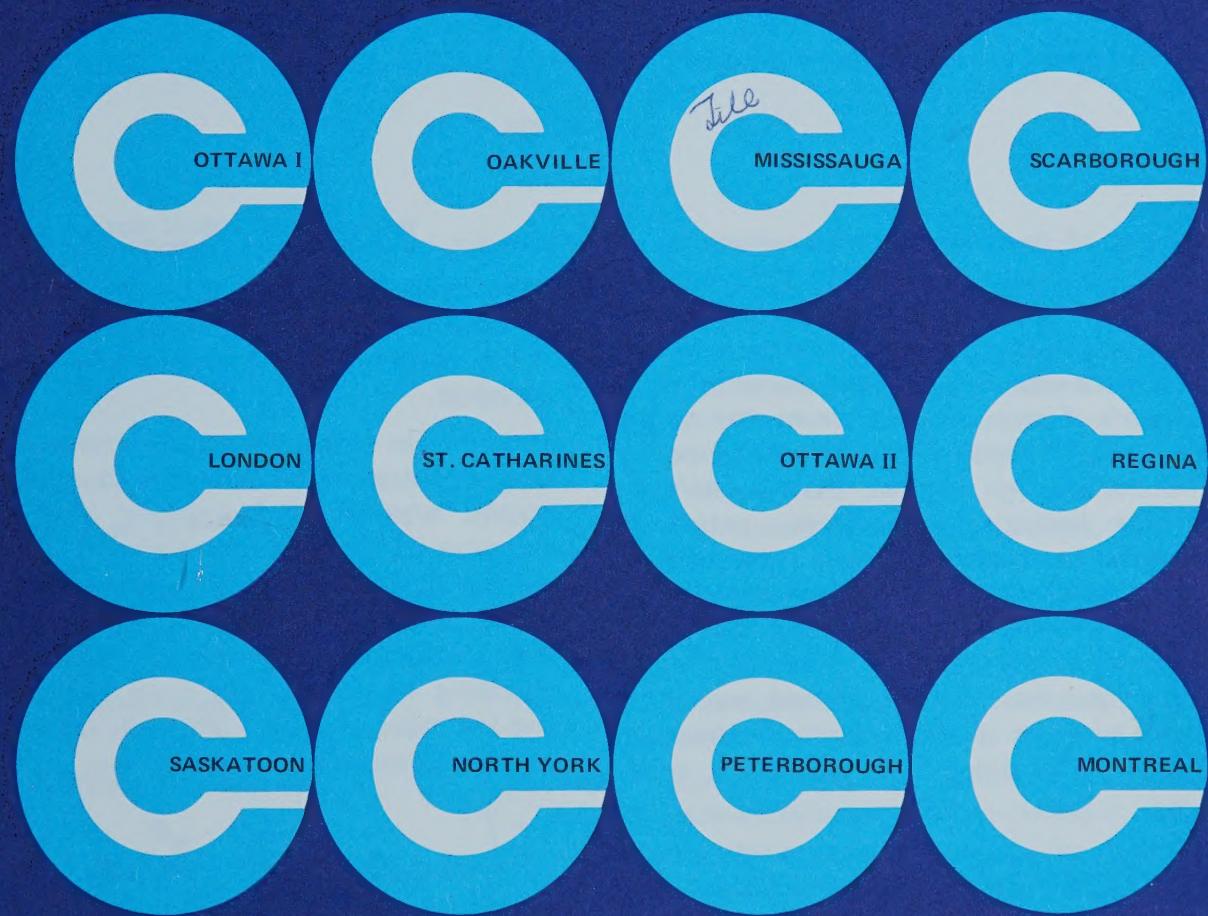


extendicare (canada) ltd.



1970 annual report

to our shareholders

The results of the company's operations for its financial year ended August 31, 1970 show an improvement both over the results for the 1969 financial year and over the projections for the 1970 financial year. This has been due primarily to two factors. Firstly, earnings from the nursing centre owned by our wholly-owned subsidiary, New Orchard Lodge Limited, were substantially higher than budgeted; and secondly, anticipated losses at our four recently opened nursing centres did not affect earnings to the extent projected due to the fact that these facilities opened later in the year than originally expected. These five skilled nursing centres have a total licensed capacity of 809 beds and are in full operation, adequately staffed and with occupancy meeting our expectations.

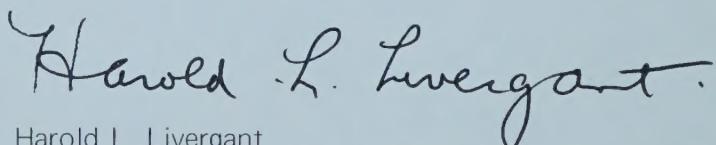
During the year, drawings were completed for six additional projects and the construction of these facilities is now under way. One of these facilities is being built by our wholly-owned subsidiary, Extendicare Management & Development Ltd., while the others have been let out on firm bids to general contractors. Satisfactory mortgaging, both as to term and rate, have been arranged for the facilities now under construction. The increased availability of funds has permitted the company to conserve its capital by obtaining larger "per bed" loans than originally projected.

During the 1970 financial year, negotiations took place for our entry into Quebec in association with residents of that province. Just recently a 51 per cent owned subsidiary, Extendicare (Quebec) Ltd., was incorporated which will be building a number of skilled nursing centres to be managed, under

contract, by Extendicare (Canada) Ltd.

Your company has undertaken market surveys in 12 Canadian cities and is now negotiating for land in the localities where a need for additional beds is indicated.

The year has seen the company emerge as an operating organization. Centralized accounting and cost control systems are functioning. Administrators and other personnel are being trained to staff existing and future facilities. Programmes for the care of residents in the nursing centres are achieving high standards. By the end of 1971 we will be operating 12 centres with more than 2,000 beds and will have another 1,000 beds under development or construction in six locations.



Harold L. Livergant
Chairman of the Board

progress report

Operating Nursing Centres

OAKVILLE (Lyons Lane)	176 beds	Opened June, 1970
MISSISSAUGA (The Queensway West)	204 beds	Opened July, 1970
SCARBOROUGH (Lawrence Ave. E.)	156 beds	Opened August, 1970
LONDON (Waterloo St.)	170 beds	Opened September, 1970
OTTAWA (New Orchard Ave.)	103 beds	Purchased in 1969 and operating at capacity
TOTAL:	809 beds	

Nursing Centres Under Development

SASKATOON (Circle Dr. & Taylor St.)	152 beds	Construction originally projected to commence early in 1970 was deferred for a variety of reasons. Delays, which related to a lane closing and the possible acquisition of alternative existing facilities, resulted in the postponement of the commencement of construction until November, 1970. Completion is expected in August, 1971.
OTTAWA (Base Line Rd.)	198 beds	Construction commenced in October, 1970. Delays occasioned in part by negotiations on shared site services altered earlier projections for the completion date which is now expected to be the end of July, 1971.
ST. CATHARINES (Pelham Rd.)	154 beds	Construction commenced in October, 1970 and is expected to be completed by the end of July, 1971.
REGINA (Sunset Dr. & Queen St.)	150 beds	Construction commenced in October, 1970 and is expected to be completed by mid-August, 1971.
NORTH YORK (Steeles Ave. & Leslie St.)	200 beds	Tenders have been received and construction is expected to commence by mid-January, 1971.
PETERBOROUGH (Alexander Ave.)	164 beds	Tenders are being called and construction is expected to commence in January, 1971.
MONTREAL (Cavendish Blvd. & Heywood Avenue, Cote Ste. Luc.)	212 beds	Working drawings are being developed and construction is expected to commence by February, 1971.
TOTAL:	1,230 beds	

Proposed Nursing Centres for Development in 1971

KITCHENER		
SUDSBURY		
MONTREAL		
ETOBICOKE	1,000 beds (approximately)	
VANCOUVER		Negotiations are presently being undertaken by the company to acquire land for future development in these locations.
VICTORIA		

to our shareholders

The results of the company's operations for its financial year ended August 31, 1970 show an improvement both over the results for the 1969 financial year and over the projections for the 1970 financial year. This has been due primarily to two factors. Firstly, earnings from the nursing centre owned by our wholly-owned subsidiary, New Orchard Lodge Limited, were substantially higher than budgeted; and secondly, anticipated losses at our four recently opened nursing centres did not affect earnings to the extent projected due to the fact that these facilities opened later in the year than originally expected. These five skilled nursing centres have a total licensed capacity of 809 beds and are in full operation, adequately staffed and with occupancy meeting our expectations.

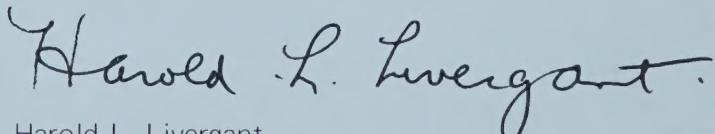
During the year, drawings were completed for six additional projects and the construction of these facilities is now under way. One of these facilities is being built by our wholly-owned subsidiary, Extendicare Management & Development Ltd., while the others have been let out on firm bids to general contractors. Satisfactory mortgaging, both as to term and rate, have been arranged for the facilities now under construction. The increased availability of funds has permitted the company to conserve its capital by obtaining larger "per bed" loans than originally projected.

During the 1970 financial year, negotiations took place for our entry into Quebec in association with residents of that province. Just recently a 51 per cent owned subsidiary, Extendicare (Quebec) Ltd., was incorporated which will be building a number of skilled nursing centres to be managed, under

contract, by Extendicare (Canada) Ltd.

Your company has undertaken market surveys in 12 Canadian cities and is now negotiating for land in the localities where a need for additional beds is indicated.

The year has seen the company emerge as an operating organization. Centralized accounting and cost control systems are functioning. Administrators and other personnel are being trained to staff existing and future facilities. Programmes for the care of residents in the nursing centres are achieving high standards. By the end of 1971 we will be operating 12 centres with more than 2,000 beds and will have another 1,000 beds under development or construction in six locations.



Harold L. Livergant
Chairman of the Board

progress report

Operating Nursing Centres

OAKVILLE (Lyons Lane)	176 beds	Opened June, 1970
MISSISSAUGA (The Queensway West)	204 beds	Opened July, 1970
SCARBOROUGH (Lawrence Ave. E.)	156 beds	Opened August, 1970
LONDON (Waterloo St.)	170 beds	Opened September, 1970
OTTAWA (New Orchard Ave.)	103 beds	Purchased in 1969 and operating at capacity
TOTAL:	809 beds	

Nursing Centres Under Development

SASKATOON (Circle Dr. & Taylor St.)	152 beds	Construction originally projected to commence early in 1970 was deferred for a variety of reasons. Delays, which related to a lane closing and the possible acquisition of alternative existing facilities, resulted in the postponement of the commencement of construction until November, 1970. Completion is expected in August, 1971.
OTTAWA (Base Line Rd.)	198 beds	Construction commenced in October, 1970. Delays occasioned in part by negotiations on shared site services altered earlier projections for the completion date which is now expected to be the end of July, 1971.
ST. CATHARINES (Pelham Rd.)	154 beds	Construction commenced in October, 1970 and is expected to be completed by the end of July, 1971.
REGINA (Sunset Dr. & Queen St.)	150 beds	Construction commenced in October, 1970 and is expected to be completed by mid-August, 1971.
NORTH YORK (Steeles Ave. & Leslie St.)	200 beds	Tenders have been received and construction is expected to commence by mid-January, 1971.
PETERBOROUGH (Alexander Ave.)	164 beds	Tenders are being called and construction is expected to commence in January, 1971.
MONTREAL (Cavendish Blvd. & Heywood Avenue, Cote Ste. Luc.)	212 beds	Working drawings are being developed and construction is expected to commence by February, 1971.
TOTAL:	1,230 beds	

Proposed Nursing Centres for Development in 1971

KITCHENER		
SUDBURY		
MONTREAL		
ETOBICOKE	1,000 beds (approximately)	
VANCOUVER		
VICTORIA		Negotiations are presently being undertaken by the company to acquire land for future development in these locations.

consolidated balance sheet

august 31, 1970

(with comparative figures at August 31, 1969)

extendicare (canada) ltd.

(Incorporated under the laws of Canada)
and subsidiary companies

ASSETS	1970	1969
Current assets		
Cash	\$ 213,547	\$ 86,707
Short term deposits and accrued interest	1,605,596	1,650,000
Accounts receivable	51,465	153,539
Mortgage advances receivable	758,750	
Inventories, at cost	17,365	3,639
Prepaid expenses and deposits	81,316	8,638
	<u>2,728,039</u>	<u>1,902,523</u>
Funds on deposit with trustee (note 4)		<u>3,000,000</u>
Fixed assets (note 2)		
Cost	7,638,974	2,270,475
Less accumulated depreciation	153,142	107,532
	<u>7,485,832</u>	<u>2,162,943</u>
Deferred charges and other assets (note 3)		
Debenture discount and issue expenses, less amortization	166,816	176,949
Mortgage acquisition cost	24,275	
Pre-opening expenses	47,333	
Deferred operating costs	56,023	
Funds held in trust for residents	2,712	2,062
Other	32,186	8,683
	<u>329,345</u>	<u>187,694</u>
	<u>\$10,543,216</u>	<u>\$7,253,160</u>

AUDITORS' REPORT

To the Shareholders of
Extendicare (Canada) Ltd.

We have examined the consolidated balance sheet of Extendicare (Canada) Ltd. and subsidiary companies as at August 31, 1970 and the consolidated statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial posi-

tion of the companies as at August 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Thorne, Gunn, Helliwell & Christenson
Chartered Accountants

Toronto, Canada
September 30, 1970

LIABILITIES	1970	1969
Current liabilities		
Accounts payable and accrued liabilities	\$ 897,411	\$ 242,702
Unearned income	37,500	30,930
Principal due within one year on long-term debt	98,444	135,872
	<u>1,033,355</u>	<u>409,504</u>
Long-term debt (note 4)		
Less principal included in current liabilities	6,661,744	3,972,616
	98,444	135,872
	<u>6,563,300</u>	<u>3,836,744</u>
Trust funds due to residents	<u>2,712</u>	<u>2,062</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 5)		
Authorized		
2,000,000 Common shares without par value		
Issued		
805,000 Common shares	3,113,743	3,113,743
Deficit	169,894	108,893
	<u>2,943,849</u>	<u>3,004,850</u>
	<u><u>\$10,543,216</u></u>	<u><u>\$7,253,160</u></u>

Approved by the Board

Harold L. Livergant Director

Director

John MacKay

consolidated statement of income

year ended august 31, 1970

(with comparative figures from incorporation on August, 7, 1968 to August 31, 1969)

extendicare (canada) ltd.

and subsidiary companies

	1970	1969
Revenue		
Income from residents	\$436,996	
Interest earned	260,962	\$123,071
Other	8,225	10,968
	<u>706,183</u>	<u>134,039</u>
Operating expenses	321,555	
Administrative expenses	200,766	153,868
Interest on long-term debt, less capitalized interest of \$152,576 in 1970 included in fixed assets	180,665	83,255
Amortization of debenture discount and issue expenses (note 3)	12,381	3,509
Depreciation (note 2)	45,610	2,300
Deferred income tax charges	6,207	
	<u>767,184</u>	<u>242,932</u>
Loss for the period (note 7)	<u>\$ 61,001</u>	<u>\$108,893</u>

consolidated statement of deficit

year ended august 31, 1970

(with comparative figures from incorporation on August 7, 1968 to August 31, 1969)

	1970	1969
Deficit at beginning of period	\$108,893	
Loss for the period	<u>61,001</u>	<u>\$108,893</u>
Deficit at end of period	<u>\$169,894</u>	<u>\$108,893</u>

consolidated statement of source and application of funds

year ended august 31, 1970

(with comparative figures from incorporation on August 7, 1968 to August 31, 1969)

extendicare (canada) ltd.

and subsidiary companies

	1970	1969
Source of funds		
Deposit from Trustee	\$3,000,000	
Issue of sinking fund debentures		\$3,000,000
Mortgage proceeds, net	2,865,000	972,616
Issue of capital stock		3,113,743
	<u>5,865,000</u>	<u>7,086,359</u>
Application of funds		
Operations		
Loss for the period	61,001	108,893
Items not involving current funds	55,973	5,809
	<u>5,028</u>	<u>103,084</u>
Deposit with Trustee		3,000,000
Additions to fixed assets	5,368,499	2,165,243
Deferred charges and other assets	161,884	189,141
Purchase of \$40,000 of debentures for cancellation	29,480	
Reduction of non-current portion of long-term debt	98,444	135,872
	<u>5,663,335</u>	<u>5,593,340</u>
Increase in working capital	201,665	1,493,019
Working capital at beginning of period	<u>1,493,019</u>	
Working capital at end of period	<u>\$1,694,684</u>	<u>\$1,493,019</u>

notes to consolidated financial statements

august 31, 1970

extendicare (canada) ltd.

and subsidiary companies

1. Basis of Consolidation

The consolidated financial statements include the accounts of the wholly-owned subsidiaries, Extendicare Development & Management Ltd. and New Orchard Lodge Limited. However, since New Orchard Lodge Limited was not acquired until August 15, 1969, the results of its operations for 1969 have not been included in the consolidated statements of income, deficit and source and application of funds for that year.

2. Fixed Assets

	1970		1969	
	Cost	Accumulated depreciation	Net	Net
Land	\$1,400,579		\$1,400,579	\$1,004,558
Deposits on properties	36,948		36,948	47,983
Nursing homes	4,355,511	\$106,922	4,248,589	819,977
Furniture and equipment	510,906	45,925	464,981	65,323
Leasehold improvements	3,098	295	2,803	
Construction in progress	1,331,932		1,331,932	225,102
	<u>\$7,638,974</u>	<u>\$153,142</u>	<u>\$7,485,832</u>	<u>\$2,162,943</u>

Depreciation has been provided for as follows:

Extendicare (Canada) Ltd.	
Head office furniture	20% straight-line
Leasehold improvements	over the term of the lease
New Orchard Lodge Limited	
Nursing home	4% straight-line
Parking lot	4% diminishing balance
Furniture and equipment	20% diminishing balance

It is company policy to consider each new nursing home to be operational when an occupancy status of 25% has been achieved or after four months from the admission of the first patient, whichever occurs first. Since none of the new nursing homes met either of these conditions prior to August 31, 1970, no depreciation on these assets has been provided for the current year.

3. Deferred Charges and other Assets

Debenture discount and issue expenses

These charges, incurred in connection with the issue of sinking fund debentures, are being amortized on a straight-line basis over the term of the debentures.

Mortgage acquisition costs

These charges, incurred in connection with the arrangement of mortgage financing, are to be amortized on a straight-line basis over the term of the respective mortgages to which they relate.

Pre-opening expenses

These charges, incurred prior to the first patient being admitted to a home, are to be amortized on a straight-line basis over a three year term, the commencement of which is determined by when the home is considered to be operational (see note 2).

Deferred operating costs

These charges, incurred after a home has opened but prior to it being considered operational, are to be amortized on a straight-line basis, similar to that for pre-opening expenses (see note 2).

4. Long-Term Debt

	1970	1969
8½% Sinking fund debentures, maturing May 15, 1984	<u>\$2,960,000</u>	<u>\$3,000,000</u>
First mortgages		
On sites		
9½%, Interest payable semi-annually, maturing July, 1970	120,000	
8%, Interest payable semi-annually, maturing April, 1971	50,000	
9%, Interest payable semi-annually, maturing October, 1971	100,000	
8%, Interest payable semi-annually, maturing October, 1973	139,000	139,000
8%, Interest payable quarterly, maturing April, 1974	100,000	
8%, Interest payable semi-annually, maturing July, 1974	92,500	92,500
On nursing homes		
11%, Payable monthly, including principal and interest, maturing September, 1975 (see below)	700,000	
7%, Payable monthly including principal and interest, maturing March, 1976	368,091	380,966
11%, Payable monthly, including principal and interest, maturing September, 1980	900,000	
10¼%, Payable monthly, including principal and interest, maturing October, 1995 (see below)	1,215,000	
Second mortgage, on nursing home		
8%, Payable monthly, including principal and interest, maturing March, 1976	137,153	140,150
	<u>3,701,744</u>	<u>972,616</u>
	<u><u>\$6,661,744</u></u>	<u><u>\$3,972,616</u></u>

Under the terms of the Trust Indenture dated May 15, 1969, the sum of \$3,000,000 was deposited with the Trustee, to be drawn by the company as certain costs of nursing centres were paid. The required payments having been made, the entire deposit has been paid to the company by the Trustee.

Annual sinking fund payments of \$300,000 to the Trustee are required in each of the years 1975 to 1983 inclusive.

The debentures are redeemable at the option of the company at premiums varying according to the date of redemption. During 1970 debentures in the principal amount of \$40,000 were purchased by the company and cancelled.

Rights to receive bearer common share purchase warrants entitling the holders to purchase common shares of the company are outstanding as follows:

- 11% Mortgage on nursing home maturing September, 1975
3,500 shares at \$10 per share up to and including October 1, 1975
- 10¼% Mortgage on nursing home maturing October, 1995
18,225 shares at \$10 per share up to and including October 1, 1975

Principal payments due within the next five fiscal years on long-term debt are as follows:

1971	\$ 98,444
1972	157,257
1973	62,903
1974	300,623
1975	335,978

5. Capital Stock

Bearer share purchase warrants are outstanding entitling the holders to purchase 150,000 common shares at \$10 per share up to and including May 15, 1974; at \$12.50 per share thereafter up to and including May 15, 1977; and at \$15 per share thereafter up to and including May 15, 1979.

40,000 Common shares have been reserved for the company's Incentive Stock Option Plan and 21,725 common shares have been reserved for issue on the exercise of the common share purchase warrants related to mortgages payable (see note 4).

Under the terms of the Trust Indenture the payment of dividends which would reduce shareholders' equity below \$3,000,000 is prohibited.

6. Lease Commitments

The company has leased or subleased premises at 335 Bay Street until May 31, 1975 at an annual rental of \$23,000 up to June 30, 1972 and at an annual rental of \$25,000 thereafter.

Previously the company had leased premises at 34 King Street East until October 13, 1974 at an annual rental of \$8,814. During 1970 the company subleased these premises at annual rentals in excess of the company's commitment.

7. Income Taxes

Extendicare (Canada) Ltd.

On the basis of tax returns filed, the company has available a loss carry forward of \$500,266, the tax effect of which has not been recorded.

New Orchard Lodge Limited

Deferred income tax charges of \$2,476 (included in the balance sheet under Other Assets) arise from the difference between amounts charged to income and allowances claimed for tax purposes.

8. Other Statutory Information

Remuneration of directors and senior officers (as required by The Securities Act, 1966 of Ontario) amounts to \$123,185 (1969 \$87,243), including \$74,916 (1969 \$83,943) paid to directors in their capacity as officers.

board of directors

Harold L. Livergant/Chairman of the Board
John MacKay/President
David A. Jones/Chairman of the Board, Extendicare Inc.
H. Wendell Cherry/President, Extendicare Inc.
H. Hoyle Campbell, M.D./Surgeon
William A. Johnson/Underwriting Executive, A.E. Ames & Co. Ltd.
Benjamin J. Hutzel/Solicitor

officers

Harold L. Livergant/Chairman of the Board
John MacKay/President
Gregory G. McIntosh, C.A./Controller
Thomas W. Greene/Treasurer
James A. Bradshaw/Secretary

Transfer Agents for Common Shares/Montreal Trust Company
Trustee for Debentures/Canada Permanent Trust Company
Auditors/Thorne, Gunn, Helliwell & Christenson
Legal Counsel/Campbell, Godfrey & Lewtas

